THE ROYALTY ADVANTAGE

Freehold
ROYALTY TRUST

2001 ANNUAL REPORT

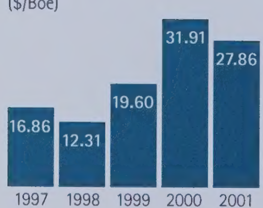
Freehold Royalty Trust has the royalty advantage. The Trust is one of the largest owners of privately-held mineral rights in western Canada. These royalty-generating properties provide income from the production and sale of crude oil, natural gas, natural gas liquids and potash. This production income is not subject to major expenses such as operating and capital costs or environmental liabilities.

The responsibility of the Trust is to collect and regularly distribute income to Unitholders. Freehold's objective is to provide investors with superior returns and consistent distributions primarily from its royalty-generating assets. Growth in the underlying value of the Trust is achieved through ongoing development activity on the land base and the acquisition of new oil and gas assets.

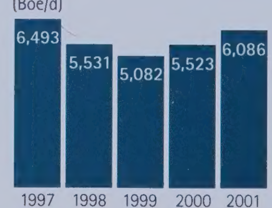
Freehold's Trust Units trade on The Toronto Stock Exchange under the symbol FRU.UN.

Corporate Profile

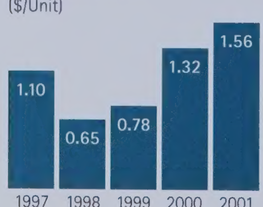
Gross Revenue
($/Boe)



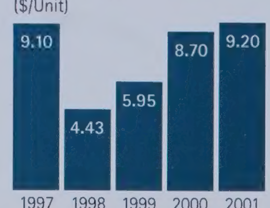
Production
(Boe/d)



Distributable Income
($/Unit)



Trust Unit Price
($/Unit)



- Unitholder distributions up 18% to $1.56 per Trust Unit;
- Production up 10% to 6,086 Boe per day;
- Properties acquired for $29.7 million;
- Issued 3.3 million Trust Units through a $30.5 million equity offering;
- Reserve additions (before revisions) of 3.9 million Boe replaced 175% of 2001 production; and
- Gross revenue down 4% to $61.9 million.

Highlights

	2001	2000	% Change
Financial ($000s, Except Unit Data)			
Gross revenue	**61,885**	64,500	-4
Distributable income	**45,264**	35,226	+28
Per Trust Unit ($)	**1.56**	1.32	+18
Capital expenditures	**2,992**	5,161	-42
Acquisition expenditures	**29,707**	5,326	+458
Long-term debt	**33,000**	38,000	-13
Unitholders' equity	**196,442**	183,029	+7
Trust Units outstanding	**30,129,236**	26,728,000	+13
Weighted average	**28,839,216**	26,678,328	+8
Operating			
Production			
Oil (Bbls/d)	**3,873**	3,353	+16
NGLs (Bbls/d)	**354**	327	+8
Natural gas (Mmcf/d)	**11.2**	11.0	+2
Oil equivalent (Boe/d)[1]	**6,086**	5,523	+10
Average sales price			
Oil ($/Bbl)	**24.42**	32.98	-26
NGLs ($/Bbl)	**29.91**	32.81	-9
Natural gas ($/Mcf)	**5.64**	4.71	+20
Oil equivalent ($/Boe)[1]	**27.63**	31.39	-12
Established reserves (Mboe)[1]	**28,177**	28,150	-
Undeveloped land (gross acres)	**237,443**	140,896	+69

[1] *In order to provide a single unit of production for analytical purposes, natural gas is converted to equivalent barrels of oil (Boe). Freehold uses the international conversion of six thousand cubic feet of natural gas to one barrel of oil (6 mcf = 1 Bbl). The Boe ratio approximates an equivalent energy value, useful for comparative measures, but may not accurately reflect individual product values.*

Our royalty lands continue to be a distinguishing feature. These lands were a major contributor to our operating and financial performance in 2001, helping to generate a total return to Unitholders of 24%.

President's Message

Freehold marked its fifth anniversary as an investment trust on November 25, 2001 and continues to demonstrate strength as a long-term investment. Our performance in generating returns is among the best in the energy trust sector. Record distributions of $1.56 per Trust Unit in 2001 were 18% higher than the previous year and the total return to Unitholders was 24%. Cumulative distributions have totalled $5.70 per Trust Unit.

Several positive factors during 2001 enabled the Trust to increase the amount of cash available for distribution to our Unitholders. High levels of drilling on the royalty lands and two royalty acquisitions fuelled a 10% growth in production volumes.

Royalty Acquisitions

Our royalty lands continued to be a distinguishing feature – as they have been since the Trust's inception. These lands are the major contributor to our operating and financial performance, while also providing a distinct advantage within the royalty trust sector. During 2001, we added 142,000 gross acres (mostly in southeast Saskatchewan) to our royalty land base, increasing our total land position to more than one million gross acres in western Canada.

During the second quarter, we acquired royalty production and an interest in more than 95,000 gross acres of undeveloped mineral title and royalty lands in southeast Saskatchewan. The $25.4 million acquisition represents 2.0 million Boe of established reserve additions. The purchase added approximately 500 Boe per day of primarily light and medium oil production in 2001.

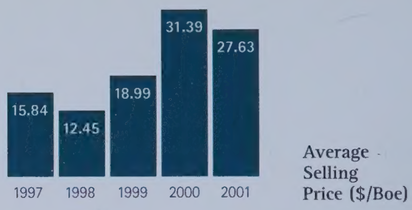
In November 2001, we acquired approximately 160 Boe per day of primarily heavy oil royalty production in the Hayter and Chauvin areas of Alberta. The production was purchased from Rife Resources Ltd. for $4.3 million. This purchase added approximately 0.6 million Boe of established reserves.

Drilling Activity

Despite a slowdown during the forth quarter, industry drilling in western Canada reached a record level. More than 17,900 wells were drilled in 2001, a 9% increase over the previous year.

Freehold experienced similarly increased activity (up 14%) by lessees and working interest partners on both the royalty and working interest properties. In particular, the high level of development drilling on Freehold's royalty lands had a positive impact on the Trust.

The drilling program led to production and reserve gains. Production increased 10% to 6,086 Boe per day. Thirty-six percent of this increase was attributed to royalty acquisitions made in 2001, and 64% was added from production growth on our properties. We added 3.9 million Boe of established reserves and replaced 175% of 2001 production (before revisions).



Volatile Prices

Despite these achievements, there were some significant dampening effects on the results. The tragedy of the terrorist attacks in the United States on September 11 dramatically affected our lives, both personally and economically. These events deepened the business slowdown that was already underway in North America. In the energy sector, commodity markets entered a period of uncertainty and by the fourth quarter, Freehold's cash flow was eroded by declining prices.

West Texas Intermediate (WTI) oil prices declined during the year, averaging U.S. $25.90 per barrel, down from $30.20 per barrel in 2000. By the fourth quarter, global events contributed to ongoing economic uncertainty, causing commodity prices to remain depressed. Freehold's oil price averaged $24.42 per barrel in 2001, 26% lower than in 2000.

The first quarter of 2001 saw record high prices for natural gas having a positive effect on the Trust's revenues and cash flow. In the second quarter, prices began to slide lower, as cooler than usual summer weather resulted in increased injections to natural gas storage. Even with a continuing decline for the balance of 2001, Freehold's average natural gas price rose 20% to $5.64 per Mcf, from $4.71 per Mcf the previous year.

The initial high gas prices masked a difficulty that emerged, beginning in the final quarter of 2000, with the price differential between light and heavy oil. As approximately one-third of Freehold's total production is heavy oil, the Trust is negatively impacted when differential prices widen. For the first six months of the year, the differential rose 170% to average $16.48 per barrel, well above the $6.50 per barrel averaged for the years 1997 to 2000. Contributing factors were a refinery fire in the Unites States that reduced capacity to process heavy oil and the economic recession, which resulted in a surplus supply of heavy oil. The differential price remained volatile in the last half of the year, falling to below $7.00 per barrel in the third quarter, but rising to more than $15.00 per barrel in the fourth quarter. As a result, Freehold's average differential was $14.75 per barrel in 2001, 31% higher than in 2000.

Overall, volatile prices throughout 2001 resulted in a 12% decline in Freehold's average realization to $27.63 per Boe compared with $31.39 per Boe in 2000.

A Strong Balance Sheet

During 2001, Freehold raised $30.5 million (net of issuance costs) to repay debt through the public offering of 3.3 million Trust Units. This initiative allowed us to exit the year with 13% lower debt compared with 2000.

As a result, Freehold has a conservative and manageable net debt-to-cash flow ratio of 0.6:1. This ratio is one of the lowest in the royalty trust group and permits Freehold to continue the strategy of seeking acquisitions that will add to its already extensive royalty land base.

David J. Sandmeyer
President and Chief Executive Officer

Our strategy is to wisely manage the Trust's assets, maintaining a portion of cash in excess of monthly distributions to apply against debt. We have not hedged any of our production in the past and do not anticipate a change in that policy. These strategies are supported by an experienced management team. Each individual in this group has approximately 20 years of experience managing the Trust's initial assets.

2002 Outlook

We enter 2002 with a foundation of financial and operational strength in an environment of continued commodity price and economic uncertainty. Our 2002 forecast calls for commodity prices to average Cdn. $2.86 per Mcf for natural gas and U.S. $20.50 per barrel for WTI oil. We anticipate that differential prices will narrow during 2002, to average Cdn. $8.00 per barrel. Based on these assumptions, and a production forecast of 6,000 Boe per day, we estimate that approximately $1.00 per Trust Unit will be distributed to Unitholders in 2002.

Freehold begins 2002 with strong production volumes as the full impact of the royalty land acquisitions is realized. Drilling activity on both our royalty and working interest properties continues to increase production and extend reserve life. The recent industry-wide acquisitions and corporate restructuring activities will create opportunities for the Trust in 2002. Over the last five years, our strategy has remained consistent, regardless of commodity price cycles. We strive to achieve the highest level of distributable income for our Unitholders. The new properties acquired in 2001 are strengthening the performance of the Trust and we will continue to pursue similar opportunities to increase the assets of the Trust.

Acknowledgements

I would like to thank our Unitholders for their support, our Board of Directors for its unwavering commitment to management principles, and the employees of the Manager, Rife Resources Ltd., for their efforts and dedication on behalf of our Trust.

Freehold's royalty income stream provides the most pure form of royalty income investment in the Canadian oil and gas sector. Freehold will continue to be a sound, rewarding investment for Unitholders with regular distributions, an exemplary balance sheet, and the royalty advantage.

David J. Sandmeyer
President and Chief Executive Officer
March 12, 2002

Review of Operations

Freehold's production base is comprised primarily of mineral title and gross overriding royalties, which are responsible for the majority of the Trust's income. The production base is geographically widespread throughout western Canada, with the majority of properties located in Alberta.

Acquisitions in 2001 added 95,354 gross acres of undeveloped land to bring the Trust's total undeveloped land position to 237,443 gross acres as at December 31, 2001.

Acreage Summary (gross acres)	2001	2000	1999
Alberta	**636,958**	634,290	633,364
Saskatchewan	**339,197**	210,839	217,571
British Columbia	**25,946**	24,906	16,033
Manitoba	**2,444**	1,637	1,637
Total	**1,004,545**	871,672	868,605

Production

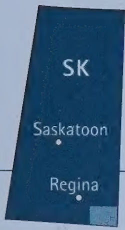
Freehold's 2001 production increased 10% to average 6,086 barrels of oil equivalent per day.

Production	2001	2000	1999
Oil (Bbls/d)	**3,873**	3,353	2,921
NGLs (Bbls/d)	**354**	327	302
Natural gas (Mmcf/d)	**11.2**	11.0	11.2
Oil equivalent (Boe/d)	**6,086**	5,523	5,082
Potash (Tonnes/d)	**7.9**	10.9	14.2

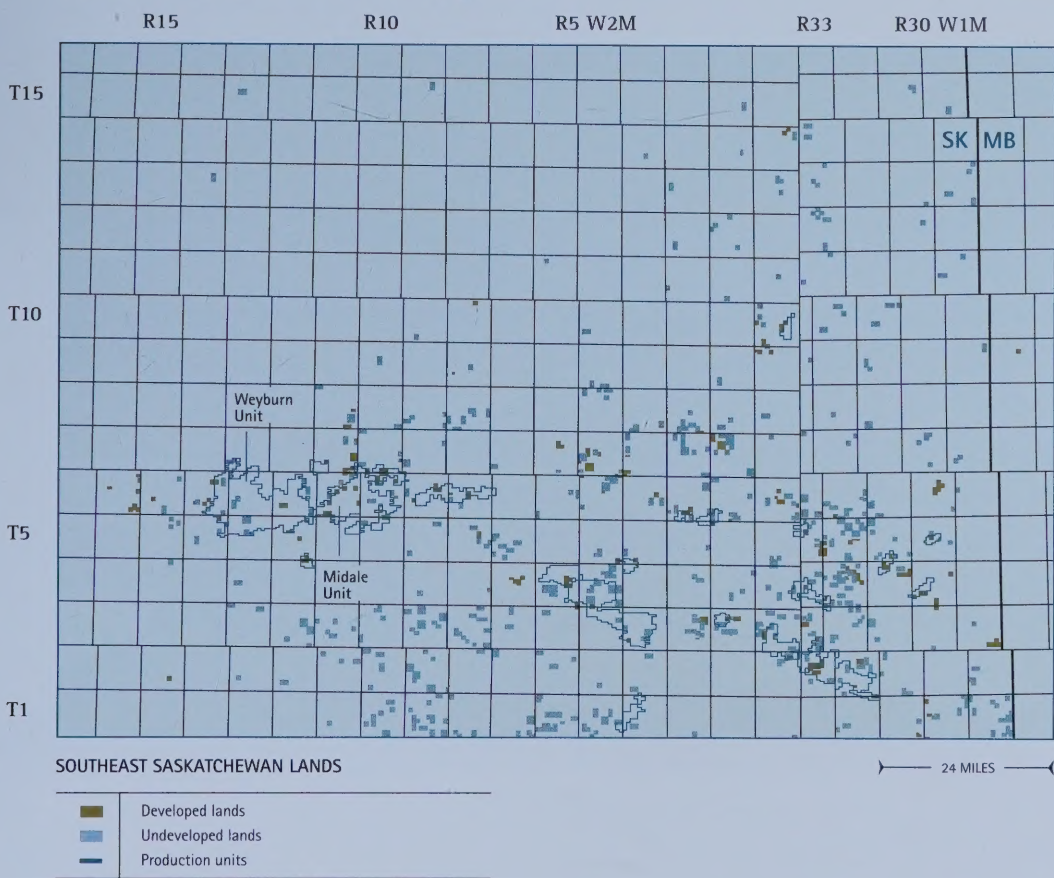
Drilling Activity

Drilling was up 14% on Freehold's lands in 2001 following a record year for drilling on the royalty properties.

Wells Drilled	2001	2000	1999
Royalty lands	**189**	195	168
Unitized wells (royalty lands)	**336**	238	119
Working interest properties	**50**	71	32
Total (gross)	**575**	504	319
Total (net)	**14.0**	18.6	11.8



Southeast Saskatchewan Acquisition



In May of 2001, Freehold acquired producing and undeveloped mineral title and gross overriding royalty properties for $25.4 million (after purchase price adjustments) creating a new royalty area called Southeast Saskatchewan (see page 11). The properties include over 95,000 gross acres of undeveloped lands, mainly mineral title lands, and added approximately 2.0 million Boe of established reserves with a reserve life index of 10.6 years. Included with the purchase are royalty interests in 33 established production units such as Weyburn and Midale.

Geologically, the Southeast Saskatchewan area is situated on the northern edge of the Williston Basin. Light and medium gravity oil are produced from an average depth of approximately 4,000 feet. The properties acquired contributed approximately 500 Boe per day of primarily medium to light oil royalty production (average 30° API) to Freehold's production base in 2001. During 2001, 72 (3.7 net) wells were drilled on the acquired lands.

Freehold receives royalties from over 15,000 producing oil and gas wells in western Canada.

Royalty Lands

Freehold has royalty interests in over 15,000 producing wells throughout western Canada. Royalties are paid from gross production revenue – before deduction of Crown royalties and operating costs. Royalties are not subject to capital expenditures or abandonment liabilities. This results in higher netbacks and therefore greater returns to our Unitholders.

Royalty Lands Production (Boe/d)	Average Royalty (%)	2001	2000	1999
Western Alberta	0.5	**917**	859	844
Northeast Alberta	2.2	**613**	637	682
Sask. Heavy Oil	5.8	**963**	877	503
Southeast Alberta	1.0	**366**	371	358
Bashaw/Leduc	0.3	**316**	304	393
Hatton/Gull Lake	1.0	**262**	271	207
Southeast Saskatchewan	0.8	**508**	-	-
Other	0.4	**164**	177	167
Total	0.8	**4,109**	3,496	3,154

Production

Production from royalty lands was 4,109 Boe in 2001, up 18% from 2000 due to increases from drilling activity and acquisitions.

Drilling Activity

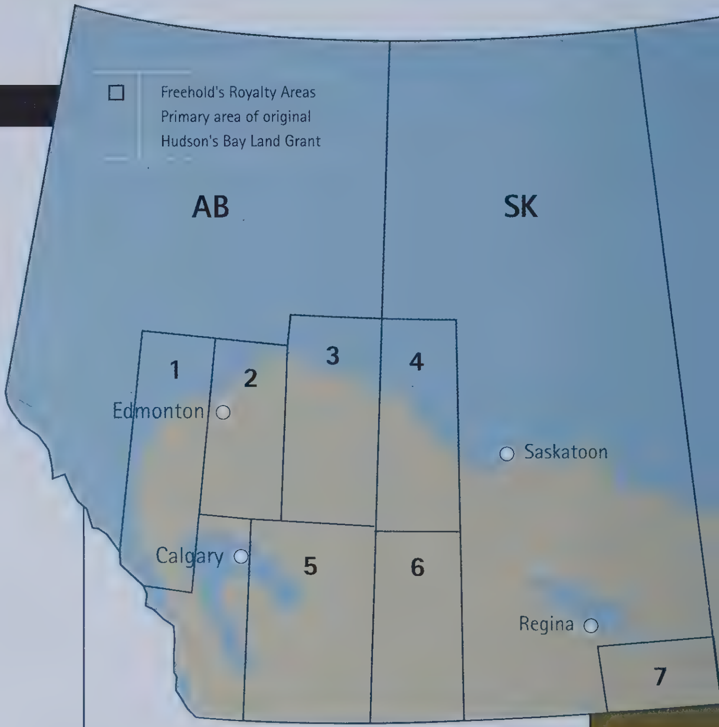
A total of 525 (10.6 net) wells were drilled on Freehold's royalty lands during 2001, up 21% over 2000. This drilling added approximately 1.0 million Boe of established reserves.

Wells Drilled on Royalty Lands (includes unitized wells)	2001	2000	1999
Oil	**200**	113	98
Natural gas	**287**	289	149
Service/other	**21**	20	33
Dry and abandoned	**17**	11	7
Total	**525**	433	287
Success rate (%)	**97**	97	97
Net wells	**10.6**	10.0	10.8

Developments on Royalty Lands

There are about 170 third-party operators (lessees) that drill on Freehold's royalty lands. The following 12 companies accounted for approximately 65% of Freehold's royalty income in 2001: Alberta Energy Company, Apache Canada, BP Canada, Canadian Natural Resources, Conoco Canada, Devon Canada, Husky Energy, Murphy Oil Company, Nexen, Primewest Energy, Shell Canada, and Talisman Energy.

The Trust's royalty properties are highly diverse, and have been divided into royalty areas for review purposes. Development potential exists on the lands by increasing the well density with additional vertical or horizontal wells. The most significant opportunities are in Saskatchewan Heavy Oil, Western Alberta, Hatton/Gull Lake, Southeast Alberta and Southeast Saskatchewan.



Western Alberta

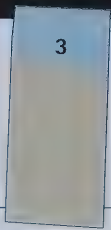
2001 Highlights

Oil and NGLs production
419 Bbls/d, up 14% from 2000
Gas production
2,989 Mcf/d, up 2% from 2000
Total acreage 88,525
Undeveloped land (gross acres) 15,774
Number of royalty wells 2,533
Established reserves 5,539 Mboe
Reserve additions 57 Mboe
Wells drilled
39 (0.3 net), up 15% from 2000
Most active operators
Conoco, Devon, Canadian 88

Bashaw/Leduc

2001 Highlights

Oil and NGLs production
133 Bbls/d, down 8% from 2000
Gas production
1,094 Mcf/d, up 14% from 2000
Total acreage 66,954
Undeveloped land (gross acres) 9,411
Number of royalty wells 1,289
Established reserves 1,072 Mboe
Reserve additions 15 Mboe
Wells drilled
39 (0.7 net), up 63% from 2000
Most active operators
Conoco, EOG Resources, Devon, Imperial

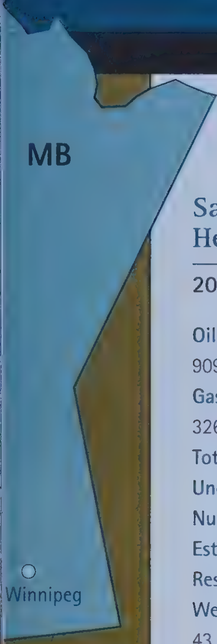


Northeast Alberta

2001 Highlights

Oil and NGLs production
457 Bbls/d, down 6% from 2000
Gas production
935 Mcf/d, up 2% from 2000
Total acreage 126,175
Undeveloped land (gross acres) 18,717
Number of royalty wells 2,013
Established reserves 3,512 Mboe
Reserve additions 626 Mboe
Wells drilled
48 (0.6 net), down 14% from 2000
Most active operators
Apache, Southward

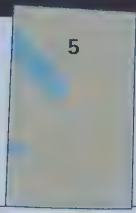
Royalty Areas



Saskatchewan Heavy Oil

2001 Highlights

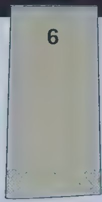
Oil and NGLs production
909 Bbls/d, up 13% from 2000
Gas production
326 Mcf/d, down 25% from 2000
Total acreage 62,509
Undeveloped land (gross acres) 15,677
Number of royalty wells 938
Established reserves 2,851 Mboe
Reserve additions 387 Mboe
Wells drilled
43 (1.5 net), up 79% from 2000
Most active operators
Baytex, Murphy, Nexen, Canadian Natural Resources



Southeast Alberta

2001 Highlights

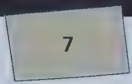
Oil and NGLs production
171 Bbls/d, down 7% from 2000
Gas production
1,175 Mcf/d, up 4% from 2000
Total acreage 124,691
Undeveloped land (gross acres) 8,515
Number of royalty wells 4,198
Established reserves 1,629 Mboe
Reserve additions 289 Mboe
Wells drilled
232 (2.5 net), up 9% from 2000
Most active operators
Alberta Energy, PanCanadian, EOG Resources, Conoco



Hatton/Gull Lake

2001 Highlights

Oil and NGLs production
138 Bbls/d, down 1% from 2000
Gas production
744 Mcf/d, down 7% from 2000
Total acreage 125,421
Undeveloped land (gross acres) 25,866
Number of royalty wells 1,350
Established reserves 1,373 Mboe
Reserve additions 158 Mboe
Wells drilled
33 (1.1 net), down 52% from 2000
Most active operators
Husky, Nexen, Anadarko



Southeast Saskatchewan[1]

2001 Highlights

Oil and NGLs production
479 Bbls/d
Gas production
175 Mcf/d
Total acreage 129,164
Undeveloped land (gross acres) 95,354
Number of royalty wells 2,458
Established reserves 1,777 Mboe
Reserve additions 1,962 Mboe
Wells drilled
72 (3.7 net)
Most active operators
Empire, Bison, Nexen, Northrock

[1] *Acquired May 2001.*

Working Interest Properties

Freehold owns interests in 72 working interest properties. The majority (57%) of the Trust's working interest production comes from four properties – Hayter, Pembina Cardium Unit No. 9 ("PCU #9"), and Pouce Coupe, located in Alberta, and the Luseland property located in Saskatchewan.

Production

Working interest production accounted for 1,977 Boe in 2001, down 2% from 2000. The decrease in production was mainly the result of deferred activity at the Hayter property.

Working Interest Production (Boe/d)	2001	[illegible]	[illegible]
Hayter	**561**	674	677
Pembina Cardium Unit No. 9	**253**	211	209
Luseland	**219**	118	-
Pouce Coupe	**101**	111	104
Other	**843**	913	938
Total	**1,977**	2,027	1,928

Drilling Activity

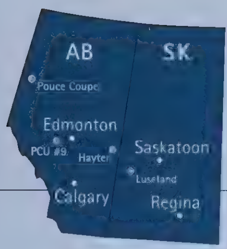
In 2001, Freehold participated in the drilling of 50 (3.4 net) wells on working interest properties. Twenty-two (2.2 net) oil wells were drilled at PCU #9, two (0.3 net) gas wells at Ribstone, one (0.3 net) oil well at Pouce Coupe, 19 (0.1 net) gas wells at Ring Border, one (0.1 net) gas well at Gilby, and five (0.4 net) miscellaneous wells.

Wells Drilled on Working Interest Properties	2001		[illegible]		[illegible]	
	Gross	**Net**	Gross	Net	Gross	Net
Oil	**23**	**2.5**	49	8.2	6	1.0
Natural gas	**27**	**0.9**	20	0.2	26	0.1
Service/other	**-**	**-**	-	-	-	-
Dry and abandoned	**-**	**-**	2	0.2	-	-
Total	**50**	**3.4**	71	8.6	32	1.1
Success rate (%)	**100**		97		100	

Capital Expenditures

Freehold's capital expenditures in 2001 on the working interest properties were $3.0 million, two-thirds of which was spent on drilling and facilities at PCU #9. This expenditure resulted in adding approximately 0.4 million Boe of established reserves.

Freehold will spend approximately $2.4 million on development projects during 2002. Of this amount, $1.5 million is forecast to be spent at Hayter on drilling and related facilities, and $0.4 million will be incurred to continue the drilling program at PCU #9.



Major Working Interest Properties

Hayter, Alberta

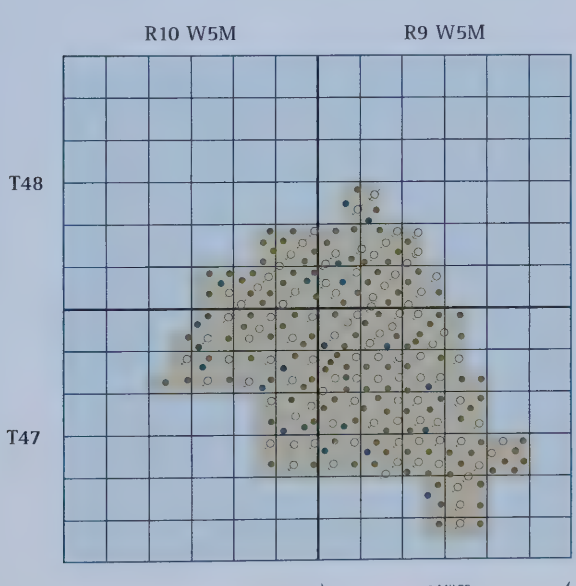
561 Boe per day in 2001, down 17%.

In November of 2001, Freehold increased its holdings in the 640-acre Hayter property located in east central Alberta. Freehold now owns 48.52% of the title and a 23.52% working interest at Hayter. Development opportunities were delayed in 2001 while the operator was selling the property. This lack of drilling resulted in a 17% decline in production during the year. Rife Resources Ltd. (the Manager of Freehold) took over the operation late in 2001. Freehold's capital forecast for 2002 includes 15 (3.5 net) wells to be drilled at Hayter.

Pembina Cardium Unit No. 9 (PCU #9), Alberta

253 Boe per day in 2001, up 20%.

Freehold has a 9.9% working interest and a 0.6% royalty interest in PCU #9, located 85 miles southwest of Edmonton. Light oil production is from part of the Pembina oilfield, the largest conventional oilfield discovered in Canada. The Unit wells have been on an 80-acre, five-spot waterflood pattern for more than 40 years. Twenty-two (2.2 net) wells were drilled during 2001, and seven (0.7 net) wells are approved for 2002.



Luseland, Saskatchewan

219 Boe per day in 2001, up 86%.

In 2000, Freehold acquired a 20% working interest in the Luseland, Saskatchewan property, located 75 miles southwest of North Battleford. The production increase resulted from owning the property for a full year and the successful infill drilling that occurred late in 2000. The operator currently has no drilling plans for 2002.

Pouce Coupe, Alberta

101 Boe per day in 2001, down 9%.

Freehold owns a 25.6% interest in the Pouce Coupe South Boundary "B" Unit No. 2 in west central Alberta. This property is under waterflood and produces light oil from the Boundary Lake formation. The operator has been improving the waterflood sweep, which should result in a reduction of the oil production decline.

Other Working Interest Properties

843 Boe per day in 2001, down 8%.

Sixty-eight other properties accounted for 43% of the working interest production volumes during 2001. Development activities included two (0.3 net) gas wells at Chauvin that commenced production late in 2001. Other active areas included Gilby and Viking-Kinsella where two (0.4 net) gas wells were drilled.

PEMBINA CARDIUM UNIT NO. 9, ALBERTA

Working interest properties
Pre-2001 wells/reactivations
Wells drilled in 2001
Injection wells

Royalties are the Trust's share of production, free and clear of any costs of production. Royalty lands generated 85% of distributable income in 2001.

Management's Discussion and Analysis

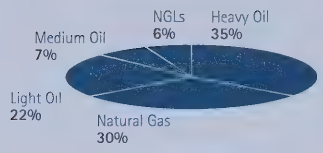
2001 HIGHLIGHTS

- Achieved record Unitholder distributions of $1.56 per Trust Unit, up 18% from 2000;
- Increased average production 10% to 6,086 barrels of oil equivalent (Boe) per day;
- Record year for drilling activity on Freehold's lands with 575 wells drilled;
- Acquired royalty properties in southeast Saskatchewan for $25.4 million, adding 500 Boe per day in 2001;
- Acquired 160 Boe per day of mostly royalty production in the Hayter and Chauvin areas for $4.3 million;
- Added 3.9 million Boe of established reserves (before revisions), to replace 175% of 2001 production;
- Completed a $30.5 million equity offering, issuing 3.3 million Trust Units; and
- Reduced debt by $5.0 million to $33.0 million at year-end.

The following discussion and analysis should be read in conjunction with the audited combined financial statements and notes contained in this Annual Report. It offers the Manager's assessment of Freehold's future plans and operations and contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Freehold's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Freehold's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated will transpire or occur, or if any of them do so, what benefits that Freehold will derive therefrom. Freehold disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Conversion of Natural Gas to Oil Equivalent

In order to provide a single unit of production for analytical purposes, natural gas is converted to equivalent barrels of oil (Boe). Freehold uses the international conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 Bbl). The Boe ratio approximates an equivalent energy value, useful for comparative measures, but may not accurately reflect individual product values.



2001 Production Profile

Results of Operations

Production

Production for the full year averaged 6,086 Boe per day, up 10% from 2000. The increase is attributed to acquisitions and drilling on the royalty properties, which offset the normal decline. On a Boe basis, approximately 70% of the Trust's production is derived from oil and natural gas liquids, and about half of the liquids production is heavy oil.

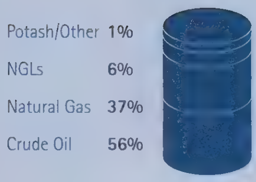
Average Daily Production	2001	2000	1999
Royalty lands			
Oil (Bbls/d)	**2,512**	1,942	1,626
NGLs (Bbls/d)	**278**	249	229
Natural gas (Mmcf/d)	**7.9**	7.8	7.8
Oil equivalent (Boe/d)	**4,109**	3,496	3,154
Working interest lands			
Oil (Bbls/d)	**1,360**	1,411	1,295
NGLs (Bbls/d)	**77**	78	73
Natural gas (Mmcf/d)	**3.2**	3.2	3.4
Oil equivalent (Boe/d)	**1,977**	2,027	1,928
Total Trust (Boe/d)	**6,086**	5,523	5,082
Potash (Tonnes/d)	**7.9**	10.9	14.2

Production Reconciliation (Boe/d)	Royalty Interest	Working Interest	Total
Average daily production rate – 2000	3,496	2,027	**5,523**
Drilling on royalty lands	606	-	**606**
Development program	-	333	**333**
Acquisitions	535	-	**535**
Natural decline	(528)	(383)	**(911)**
Average daily production rate – 2001	4,109	1,977	**6,086**

Marketing

Freehold markets its working interest oil production using 30-day contracts to ensure the highest competitive pricing. Due to the large number of royalty properties and the generally small volumes per property, Freehold relies upon the marketing capabilities of the individual lessees to market its royalty oil.

Owing to the diverse number and modest size of its working interest properties, Freehold elects to market the majority of its natural gas production with the operators' gas. A provision of the leases calls for Freehold's royalty gas to be marketed with the lessees' production.



2001
Gross Revenue
by Product

Pricing

In the first half of 2001, commodity prices were strong but deteriorated through the second half. West Texas Intermediate (WTI) oil prices averaged U.S. $25.90 per barrel for the year, down significantly from U.S. $30.20 in 2000. AECO natural gas prices averaged Cdn. $6.30 per Mcf, compared with Cdn. $5.02 per Mcf in 2000.

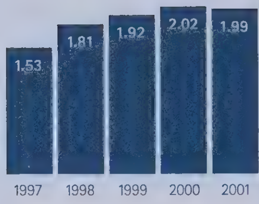
As one-third of Freehold's total production is heavy oil, the unprecedented widening of the price differential between light and heavy oil throughout 2001 had a significant negative effect on realizations. Freehold's differential for 2001 was $14.75 compared with $11.29 in 2000. As a result, Freehold's oil and natural gas liquids realization in 2001 averaged $24.88 per barrel, 25% lower than in 2000. The Trust's natural gas realizations averaged $5.64 per Mcf, up 20% from the prior year.

Average Selling Prices	2001	2000	1999
Oil ($/Bbl)	**24.42**	32.98	21.82
NGLs ($/Bbl)	**29.91**	32.81	16.94
Oil and NGLs ($/Bbl)	**24.88**	32.97	21.37
Natural gas ($/Mcf)	**5.64**	4.71	2.48
Oil equivalent ($/Boe)	**27.63**	31.39	18.99
Potash ($/Tonne)	**153.98**	146.72	157.56

Revenue

Gross revenues of $61.9 million were down 4% from 2000 revenues of $64.5 million. These results are attributable to lower oil realizations, partially offset by higher natural gas prices and a 10% increase in production volumes.

Gross Revenue Variances ($000s)	2001 vs. 2000	2000 vs. 1999
Oil and NGLs		
Production increase	**4,881**	5,612
Price (decrease) increase	**(10,885)**	13,648
Net (decrease) increase	**(6,004)**	19,260
Natural gas		
Production increase (decrease)	**143**	(112)
Price increase	**3,797**	9,067
Net increase	**3,940**	8,955
Other	**(551)**	(70)
Gross revenue (decrease) increase	**(2,615)**	28,145



Operating Expenses ($/Boe)

Expenses

Royalties Paid

Oil and gas companies pay royalties to the owners of mineral rights from whom they hold leases. Generally, these are paid to the Crown (provincial and federal governments), freehold mineral title owners and other operators with whom the companies have joint interests. Royalties are sensitive to prices and vary with the level of oil and gas sales. As Freehold is the royalty owner on its royalty production, no royalties are paid to others on Freehold's share of production from the royalty lands (Freehold receives the royalty as income from other companies). In 2001, royalties paid on production relating to ownership in working interest properties totalled $3.5 million, or 6% of gross revenue.

Royalty Expenses ($000s, Except Per Boe)	2001	2000	1999
Royalty expense (net of ARC)	**3,482**	3,306	1,085
Per Boe ($)	**1.57**	1.64	0.58
As a percentage of gross revenue	**6%**	5%	3%

Operating Expenses

Freehold does not incur operating expenses on its royalty lands. Operating expenses for the working interest properties rose 8% (11% per Boe) in 2001, primarily as a result of higher electrical and fuel gas costs. On a Boe basis, operating costs for the total operations of the Trust (including the royalty lands) were down slightly year over year.

Operating Expenses ($000s, Except Per Boe)	2001	2000	1999
Working interest properties	**4,415**	4,080	3,555
Per Boe ($)	**6.12**	5.50	5.05
Royalty interest properties	**n/a**	n/a	n/a
Per Boe ($)	**n/a**	n/a	n/a
Total operating expenses	**4,415**	4,080	3,555
Per Boe ($)	**1.99**	2.02	1.92
As a percentage of gross revenue	**7%**	6%	10%

General and Administrative Expenses

Net general and administrative expenses for 2001 rose 7% from 2000 (3% higher on a Boe basis) due to additional administration costs as a result of acquisitions completed during the year. The Manager of the Trust is reimbursed for overhead expenses incurred on behalf of the Trust.

General and Administrative Expenses (G&A) ($000s, Except Per Boe)	2001	2000	1999
Gross G&A expenses	**2,381**	2,248	2,125
Less overhead recoveries	**(137)**	(151)	(243)
Net G&A expenses	**2,244**	2,097	1,882
Per Boe ($)	**1.01**	1.04	1.01
As a percentage of gross revenue	**4%**	3%	5%

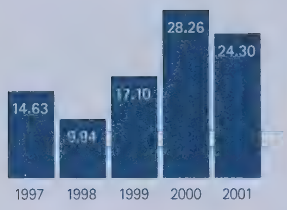
Management Fees

The Manager is a wholly owned subsidiary of Rife Resources Ltd., which is 100% owned by the CN Pension Trust Fund (the pension fund for the employees of the Canadian National Railway System). As part of the management agreement, the Manager receives a quarterly management fee paid in Trust Units. The issuance of 3.3 million Trust Units in May 2001 resulted in a pro rata increase in the management fee in accordance with the Management Contract. The Manager also earns a fee of 1.5% of the purchase price of oil and gas properties acquired by Freehold. This fee is charged to capital assets as part of the properties acquired.

During 2001, the Manager received 86,236 Trust Units as the management fee and an acquisition fee of $483,000 relating to acquisitions during the year. Since inception of the Trust in late 1996, the Manager has received a total of 414,236 Trust Units.

The management agreement has a term of three years and is automatically renewed at the end of its term unless terminated one year prior to renewal. The management agreement will be renewed on November 26, 2004 unless terminated. In order to continue to pay the management fee in Trust Units, Unitholders will be asked to approve the issuance of 500,000 Trust Units at the annual and special meeting to be held on May 1, 2002 as required by the rules of The Toronto Stock Exchange. In the event that such approval is not obtained, Freehold will be liable for the cash cost of acquiring such Trust Units by the Manager.

Management Fees ($000s, Except Per Boe)	2001	2000	1999
Management fees (paid in Trust Units)	**776**	625	438
Per Boe ($)	**0.35**	0.31	0.24
As a percentage of gross revenue	**1%**	1%	1%
As a percentage of distributable income	**2%**	2%	2%



Operating Netback ($/Boe)

Netbacks

Freehold's combined operating costs, G&A costs and management fees are among the lowest of the conventional oil and gas royalty trust group. In 2001, these combined expenses were $3.35 per Boe compared with $3.37 per Boe in 2000.

On the majority of its royalty lands, Freehold does not pay royalties to others and it does not incur capital expenditures, operating expenses, abandonment or site restoration expenses. The netback analysis demonstrates the positive effect of this "royalty advantage."

2001 Netback Analysis ($ Per Boe)	Royalty Lands	Working Interest Properties	Total Trust
Gross revenue	27.84	27.90	27.86
Royalty expense (net of ARC)	-	(4.83)	(1.57)
Net revenue	27.84	23.07	26.29
Operating expense	-	(6.12)	(1.99)
Operating netback	**27.84**	**16.95**	**24.30**
General and administrative expense	(1.01)	(1.01)	(1.01)
Interest expense	(0.51)	(1.46)	(0.81)
Capital taxes and other expenses	-	(0.14)	(0.05)
Funds generated from operations	26.32	14.34	22.43
Site reclamation fund contributions	-	(0.33)	(0.11)
Provision for capital expenditures	-	(4.15)	(1.34)
Income available for distribution[1]	26.32	9.86	20.98
Debt repayment and working capital changes	(0.60)	(0.60)	(0.60)
Investor netback	**25.72**	**9.26**	**20.38**

[1] *Excludes management fee paid in Trust Units.*

Interest Expense

Total interest expense declined 33% to $1.8 million during 2001, primarily due to lower prime borrowing rates and a net reduction in Freehold's long-term debt.

Interest Expense ($000s, Except Per Boe)	2001	2000	1999
Interest on operating line	**17**	28	255
Interest on long-term debt	**1,797**	2,672	2,155
Net interest expense	**1,814**	2,700	2,410
Per Boe ($)	**0.81**	1.34	1.30
As a percentage of gross revenue	**3%**	4%	7%

Depletion and Ceiling Test

Oil and gas properties and royalty interests, including the costs of production equipment and future capital costs associated with proven reserves, are depleted on the unit-of-production method based on estimated proven oil and gas reserves before royalties payable. During 2001, the provision for depletion and depreciation was $21.4 million ($9.64 per Boe), compared with $19.3 million ($9.53 per Boe) in 2000.

Freehold applies a ceiling test to the carrying value of oil and gas assets, net of the provision for site restoration, plus future development costs to ensure that such costs do not exceed future estimated net revenues from production of proven reserves at year-end prices and costs. Future net revenues are calculated after deducting future general and administrative costs, financing costs, site restoration costs and Freehold Resources Ltd.'s income taxes. There was a surplus in the ceiling test as at December 31, 2001.

Reclamation Fund

Freehold Royalty Trust and Freehold Resources Ltd. are liable for their share of ongoing environmental obligations and for the ultimate reclamation of the working interest properties upon abandonment. No similar responsibilities arise from the royalty lands. Ongoing environmental obligations are expected to be funded from cash flow. The Trust's estimated share of future environmental and reclamation obligations for the working interest properties is approximately $4.9 million (2000 – $5.1 million).

A reclamation fund, consisting of cash invested in an interest-bearing account, has been established and is funded by quarterly cash payments. A total of $240,000 was paid into the reclamation account in 2001 (2000 – $240,000). During the period, $101,000 (2000 – $61,000) in site restoration expense was paid from the reclamation fund. The fund balance at year-end 2001 was $884,000.

Taxes

As Freehold distributes substantially all of its taxable income to Unitholders, the Trust is exempt from current and future income taxes.

Capital taxes consist primarily of Large Corporations Tax, which is incurred on taxable capital employed in Canada, and the Saskatchewan Capital Tax applied to both taxable capital and gross revenues in that province.

Capital Taxes ($000s)	2001	2000	1999
Large Corporations Tax	**52**	42	50
Saskatchewan Capital Tax	**49**	144	23
Total	**101**	186	73

Unitholder Taxation

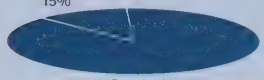
Freehold is entitled to claim certain tax deductions available to all owners of oil and gas properties. By utilizing two principal deductions – the Canadian Oil and Gas Property Expense ("COGPE") and the Resource Allowance deduction – cash distributions in the initial years were sheltered from income tax.

The Trust paid $1.56 per Trust Unit as cash distributions during 2001. For Canadian tax purposes, 38% of these distributions ($0.5928 per Trust Unit) will be taxable to Unitholders as other income and 62% ($0.9672 per Trust Unit) is a tax-deferred return of capital. The tax deferred return of capital will reduce the Unitholder's adjusted cost base for purposes of determining a capital gain or loss upon disposition of the Trust Units.

Over time, an increasing percentage of the annual distributions will become taxable. Based on current commodity prices, it is estimated that approximately 50% to 55% of distributable income will be taxable in 2002. The increase in taxability reflects the combined effect of increased production and the reduction of tax pools.

The following table represents the combined tax pools of Freehold Royalty Trust and Freehold Resources Ltd.

Tax Pools ($000s)	2001	2000	1999
Canadian oil and gas property expense	**188,346**	179,706	194,417
Canadian development expense	**4,888**	4,633	3,214
Canadian exploration expense	**68**	64	55
Capital cost allowance	**6,778**	8,130	8,722
Unit issue expenses	**1,075**	1,962	4,592
Non-capital loss carryovers	**443**	7,454	27,593
Total	**201,598**	201,949	238,593



2001
Distributable
Income by Source

Cash Flow and Income

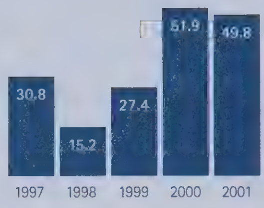
Funds generated from operations (cash flow) totalled $49.8 million, down 4% from 2000. Freehold recorded net income of $27.3 million in 2001, down 14% from 2000. The decline in cash flow and net income is a function of the lower commodity price environment, which overshadowed production increases.

Distributable Income

Royalty lands generated 85% of distributable income in 2001. Throughout the year, the Trust reduced debt by $5.0 million. After strengthening its balance sheet, the Trust declared distributable income of $45.3 million, up 28% from 2000.

2001 Distributable Income Analysis ($000s)	Royalty Lands	Working Interest Properties	Total Trust
Gross revenue	41,755	20,130	61,885
Royalty expense (net of ARC)	-	(3,482)	(3,482)
Net revenue	41,755	16,648	58,403
Operating expense	-	(4,415)	(4,415)
Net operating income	41,755	12,233	53,988
General and administrative expense	(1,515)	(729)	(2,244)
Interest expense	(759)	(1,055)	(1,814)
Capital taxes and other expenses	-	(101)	(101)
Funds generated from operations	39,481	10,348	49,829
Site reclamation fund contributions	-	(240)	(240)
Provision for capital expenditures	-	(2,992)	(2,992)
Income available for distribution[1]	39,481	7,116	46,597
Debt repayment and working capital changes	(900)	(433)	(1,333)
Distributable income	**38,581**	**6,683**	**45,264**
Percentage of distributable income	85%	15%	100%

[1] *Excludes management fee paid in Trust Units.*



Cash Flow
($millions)

Liquidity and Capital Resources

In May 2001, the Trust completed an equity financing for gross proceeds of $31.8 million ($30.5 million net of issuance costs), issuing 3.3 million new Trust Units at $9.65 per Trust Unit. Proceeds of the offering were used to repay debt, $25.4 million of which related to the acquisition of royalty properties in southeast Saskatchewan.

At December 31, 2001, Freehold's long-term debt outstanding was $33.0 million ($1.10 per Trust Unit), down from $38 million ($1.43 per Trust Unit) at the end of the previous year. Working capital at year-end totalled $4.3 million, resulting in net debt obligations of $28.7 million. Freehold's ratio of net debt to trailing cash flow of 0.6:1 reflects the Trust's solid financial condition. This balance sheet strength is a critical driver to pursue potential acquisition opportunities.

The Trust has a $50.0 million committed operating facility on which $33.0 million was drawn at December 31, 2001 (December 31, 2000 – $38.0 million). In addition, the Trust has available a $15.0 million demand production facility under the same terms and conditions as the operating facility. As at December 31, 2001, no funds were drawn on the production facility.

Debt Analysis ($000s)	2001	2000	1999
Long-term debt	**33,000**	38,000	39,288
Short-term debt (operating line)	**–**	-	2,350
Less: working capital	**(4,316)**	(7,088)	(4,736)
Net debt obligations	**28,684**	30,912	36,902

Financial Leverage and Coverage Ratios	2001	2000	1999
Ratio of net debt to cash flow	**0.6:1**	0.6:1	1.3:1
Distributable income to interest expense (times)	**25.0**	13.0	8.6
Net debt to distributable income (times)	**0.6**	0.9	1.8
Net debt to net debt plus equity (%)	**12.7**	14.4	16.6

Acquisitions and Capital Expenditures

In 2001, Freehold acquired new properties in two separate transactions totalling $29.7 million (net of adjustments). The most significant of these was the $25.4 million acquisition of producing royalty properties and an interest in over 95,000 gross acres of undeveloped mineral title and royalty lands in southeast Saskatchewan. The properties were acquired in May 2001 by the Manager on behalf of Freehold. Freehold's acquisition was initially financed through its existing credit facility. These properties contributed approximately 500 Boe per day of medium to light royalty oil production (average 30° API) to Freehold's production base in 2001. As there are no operating and capital costs or third party royalties associated with royalty production, these properties achieve high netbacks.

The second acquisition in November of 2001 was the purchase of approximately 140 Boe per day of royalty oil production in the Hayter property and 20 Boe per day of miscellaneous royalty and working interest production in proximal properties. These properties were also acquired by the Manager on behalf of Freehold for $4.3 million.

Acquisition Summary ($000s)	2001	2000	1999
Purchase price	**32,168**	5,250	-
Acquisition fee (1.5%)	**483**	76	-
Interest expense	**623**	-	-
Evaluation and legal costs	**145**	-	-
Purchase price adjustments (net revenue from effective date to closing)	**(3,712)**	-	-
Net acquisition cost	**29,707**	5,326	-

As Freehold does not incur capital expenditures on its royalty lands, the Trust's operating capital requirements are relatively modest. On its working interest properties, the Trust incurred $3.0 million in capital expenditures (2000 – $5.2 million), funded entirely from cash flow. For 2002, Freehold anticipates a capital budget of $2.4 million, which is expected to be funded entirely from cash flow.

Capital Expenditures ($000s)	2001	2000	1999
Development drilling	**2,289**	3,619	724
Plant and facilities	**703**	1,542	216
Total capital expenditures	**2,992**	5,161	940

Business Risks and Mitigating Strategies

Business risks associated with the development, production, acquisition and marketing of oil and gas production are common to virtually all companies in the industry. The amount of distributable income and the value of Freehold's Trust Units are subject to numerous internal and external factors. The most significant of these include, but are not limited to, the following:

- Fluctuations in commodity prices and quality differentials as a result of weather patterns, world and North American market forces or shifts in the balance between supply and demand for crude oil and natural gas;
- Freehold's reserves will deplete over time through continued production and Freehold and its lessees may not be able to replace these reserves on an economic basis;
- Stock market volatility and the ability to access sufficient capital from internal and external sources;
- Variations in interest rates and currency exchange rates;
- Industry activity levels and intense competition for land, goods and services and qualified personnel;
- Operational or marketing risks resulting in delivery interruptions, delays or unanticipated production declines;
- As 30 Lessees account for 90% of the Trust's royalty income, changes to their businesses may have a significant effect on Freehold's results;
- Imprecision of reserve estimates and uncertainty of depletion and recoverability of reserves;
- Changes in government regulations and taxation; and
- Safety and environmental concerns.

Freehold employs the following strategies to mitigate these risks:

- The Trust receives royalties on more than 15,000 producing oil and gas wells across western Canada. This diversified revenue stream limits the size of any one property with respect to total assets of the Trust;
- Freehold is not liable for abandonment and site reclamation costs on the royalty lands;
- Freehold adheres to strict investment criteria for acquisitions, seeking royalty and working interest properties that have high netbacks, long reserve life, low risk development potential and product diversification;
- Due to its high percentage of royalty lands, the Trust has the lowest all-in cost structure of its peer group. In addition, Freehold maintains a focus on controlling direct costs to maximize profitability;
- The Trust maintains an aggressive auditing program to ensure that the royalties paid are in accordance with the prices obtained by the royalty payor and that unwarranted or excessive deductions are not being taken. During 2001, Freehold's audit staff issued audit exception queries amounting to $2.1 million, bringing the total amount of audit exception queries since 1997 to $6.5 million ($5.5 million of which has been recovered);
- Freehold markets its products to a diverse range of buyers. Currently, Freehold does not have any commodity price, exchange rate or interest rate hedging programs in place and does not anticipate a change in that policy;
- Freehold employs a qualified team of oil and gas professionals with many years of experience and knowledge in managing the assets of the Trust;
- The Trust maintains levels of liability insurance that meet or exceed industry standards; and
- The Manager of the Trust employs a conservative approach to debt management.

Outlook and Sensitivities

Activity on Freehold's royalty lands generally mirrors industry activity, which reached record levels throughout most of 2001. Drilling activity in 2002 is expected to be tempered by lower commodity prices and restricted cash flows. The Canadian Association of Oilwell Drilling Contractors currently forecasts a 25% reduction in drilling activity in 2002.

In light of commodity price declines, the monthly distribution was adjusted to eight cents ($0.08) per Trust Unit, effective with the January 2002 distribution. Assuming average prices of $2.86 per Mcf (AECO), U.S. $20.50 (WTI) with a light/heavy oil differential of $8.00 and a production forecast of 6,000 Boe per day, Freehold estimates that approximately $1.00 per Trust Unit will be distributed to Unitholders during 2002.

However, oil and gas price fluctuations, interest rate changes, Canadian/U.S. dollar exchange rates, levels of production and light/heavy oil price differentials can all influence distributable income of the Trust. The following table provides an analysis of the potential impact these key factors may have on distributable income in 2002.

Sensitivity Analysis Variables	Change (+/-)	Estimated Change in Income Available for Distribution ($000s)	Per Trust Unit ($)
WTI crude oil price	U.S. $1.00/Bbl	2,564	0.09
Light/heavy oil price differential	Cdn. $1.00/Bbl	1,602	0.05
Natural gas price	Cdn. $0.25/Mcf	923	0.03
Cdn./U.S. dollar exchange rate	$0.01	810	0.03
Interest rates	1%	315	0.01
Oil and NGLs production	100 Bbls/d	864	0.03
Natural gas production	1,000 Mcf/d	1,032	0.03

Our strategy remains consistent, regardless of commodity price cycles. We will continue to manage our existing assets to achieve the highest level of distributable income. Our production remains unhedged against commodity price fluctuations. We will continue to pursue opportunities to increase the assets of the Trust. While our intention is to maintain a high proportion of royalty income, we will consider acquiring working interest properties if they meet our investment criteria. Financial prudence will guide us in achieving attractive returns on capital expended.

Engineers' Report

To the Unitholders of Freehold Royalty Trust

This letter is to confirm that Grant Trimble Engineering Ltd. ("Trimble") was retained as an independent consultant to evaluate the petroleum and natural gas reserves of Freehold Royalty Trust.

Trimble has prepared a report dated January 29, 2002, entitled "Reserve and Present Worth Appraisal of Certain Oil & Gas Properties at January 1, 2002," which represents the results of this evaluation. These reports have been prepared in accordance with the Code of Ethics of the Association of Professional Engineers, Geologists and Geophysicists of Alberta. Examinations were made in accordance with generally accepted engineering standards and included such tests and other procedures as were considered necessary.

The accuracy of reserves evaluated and associated economic analysis is, in part, a function of the quality and quantity of available data and of engineering and geological interpretation and judgment. The estimates presented were considered reasonable at the time this report was prepared. However, they should be accepted with the understanding that reservoir performance subsequent to the date of the estimates may necessitate revision.

In our opinion, our report presents fairly, in all material respects, the estimated production and resulting cash flows and net present values of Freehold Royalty Trust's reserves, as at January 1, 2002.

Grant Trimble Engineering Ltd.
Calgary, Canada
February 21, 2002

Reserves

Freehold's reserves were independently evaluated by Grant Trimble Engineering Ltd. effective January 1, 2002. Freehold's Audit Committee met with the reserve evaluators to review their findings and procedures. Year over year, established reserves (proven plus half probable) remained stable at 28.2 million Boe (0.94 Boe per Trust Unit), as reserves added through acquisitions and development activities offset annual production and revisions of prior estimates.

Freehold replaced 175% (2000 – 107%) of its annual production through acquisitions and development activities (excluding revisions of prior estimates). The average cost of reserve replacement was $8.40 per Boe in 2001, compared with $4.85 per Boe in 2000, as the acquired reserves are mainly royalties which have a greater economic value than working interests and command a higher market price. The three-year average cost of reserve replacement is $6.09 per Boe ($10.22 per Boe, net of revisions).

Including the potash reserves (evaluated by the Manager at $4.9 million), the present value of Freehold's future net revenue, discounted at 12%, totalled $223.4 million. This represents a 6% decrease over the prior year due to the application of a lower price forecast at year-end 2001.

Reserve Life Index (RLI) is calculated by dividing the reserves by the current year's annual production. This provides a simplified representation of the number of years of reserves remaining if production remained constant at that rate. The actual productive life of the reserves is significantly longer due to a declining production rate over time. Based on established reserves of 28.2 million Boe and annual production of 2.2 million Boe in 2001, Freehold's RLI is 12.7 years. This compares with an RLI of 14 years at December 31, 2000, reflecting the Trust's higher production levels in 2001.

Summary of Reserves	2001		2000		1999	
	Proven	**Established[1]**	Proven	Established[1]	Proven	Established[1]
Oil (Mbbls)	**13,744**	**16,732**	12,809	15,842	12,965	16,500
NGLs (Mbbls)	**2,136**	**2,421**	2,255	2,533	2,268	2,565
Natural gas (Mmcf)	**44,335**	**54,146**	50,746	58,651	51,627	59,979
Total (Mboe)	**23,269**	**28,177**	23,522	28,150	23,837	29,061
Reserve life index (years)[2]	**10.5**	**12.7**	11.7	14.0	12.9	15.7
Potash (Mtonnes)	**65,972**	**65,972**	68,857	68,857	72,844	72,844

1 *Proven plus half probable.*

2 *Excludes the estimated 130-year life of the potash reserves.*

Reserves Reconciliation	Oil and NGLs (Mbbls)		Natural Gas (Mmcf)		Combined Equivalent (Mboe)		
	Proven	Probable[1]	Proven	Probable[1]	Proven	Probable[1]	Established
Balance, January 1, 2001	15,064	3,312	50,746	7,905	23,522	4,629	28,150
Reserve additions	543	102	1,926	2,363	863	495	1,359
Acquisitions	2,006	318	644	622	2,113	421	2,535
Revisions	(190)	(457)	(4,909)	(1,079)	(1,008)	(637)	(1,645)
Dispositions	-	-	-	-	-	-	-
Production	(1,543)	-	(4,071)	-	(2,221)	-	(2,221)
Balance, January 1, 2002	**15,880**	**3,273**	**44,335**	**9,811**	**23,269**	**4,909**	**28,177**
Change over prior year	816	(38)	(6,411)	1,906	(253)	280	27

[1] *Probable reserves are risked at 50%.*

The majority of the downward revisions in natural gas reserves occurred on five working interest properties where activation attempts were made during 2001 in response to high natural gas prices. Since the activation results were below expectations, the independent engineer revised the reserves.

The downward revision of oil reserves was the result of production performance from heavy oil wells in the two royalty areas of Northeast Alberta and Saskatchewan Heavy Oil.

Present Value of Estimated Future Net Revenue ($000s)	Discounted at 0%	10%	12%	15%
Proven producing	546,203	209,905	189,390	165,879
Proven non-producing	15,690	8,085	7,215	6,136
Total proven	561,893	217,990	196,605	172,015
Probable[1]	154,829	24,311	20,405	16,318
Established reserves	716,722	242,301	217,010	188,333
Potash	21,331	5,709	4,943	4,131
Alberta Royalty Credit (ARC)	2,466	1,508	1,407	1,282
Total	**740,519**	**249,518**	**223,360**	**193,746**

[1] *Probable reserves are risked at 50%.*

Price Forecast	Oil[1]		Gas[1]	Natural Gas Liquids[1]			Potash[1]	Currency[1]
	WTI[3] $U.S./Bbl	Edmonton Par Price 40° API $/Bbl	Alberta Plant Gate $/Mmbtu	Propane $/Bbl	Butane $/Bbl	Pentane $/Bbl	Potash $/Tonne	U.S./Cdn. Dollar Exchange Rate
2002	19.90	29.86	3.63	16.73	17.81	30.59	130.92	0.634
2003	20.64	30.96	4.18	17.34	18.46	31.71	132.88	0.635
2004	21.12	31.67	4.19	17.74	18.88	32.43	134.87	0.635
2005	21.44	32.15	4.18	18.01	19.17	32.93	136.90	0.635
2006	21.76	32.65	4.25	18.29	19.47	33.44	138.95	0.635
Per year, thereafter	+1.5%	+1.5%	+1.5%	+1.5%	+1.5%	+1.5%	+1.5%	0.635

1 *January 1, 2002 price forecast by Sproule Associates Limited.*
2 *Potash price forecast prepared by Rife Resources Ltd.*
3 *40° API, 0.4% sulphur at Cushing, Oklahoma.*

Replacement and Recycle Statistics ($000s, Except Boe)	Three-year results	2001	2000	1999
Development expenditures	9,093	**2,992**	5,161	940
Established reserve additions (Mboe)	4,126	**1,359**	1,574	1,193
Development cost ($/Boe)	2.20	**2.20**	3.28	0.79
Acquisition expenditures	35,033	**29,707**	5,326	-
Established reserve additions (Mboe)	3,125	**2,535**	590	-
Acquisition cost ($/Boe)	11.21	**11.72**	9.03	-
Total development and acquisition expenditures	44,126	**32,699**	10,487	940
Established reserve additions (Mboe)	7,251	**3,894**	2,164	1,193
Development and acquisition cost ($/Boe)	6.09	**8.40**	4.85	0.79
Established reserve additions including revisions (Mboe)	4,319	**2,249**	1,105	965
Development and acquisition costs including revisions ($/Boe)[1]	10.22	**14.54**	9.49	0.97
Operating netback per Boe[2]	23.42	**24.30**	28.26	17.10
Recycle ratio[3]	2.3	**1.7**	3.0	17.6

1 *Development and acquisition costs, including revisions, represent the average cost of acquiring and developing established reserves (also referred to as finding and development (F&D) costs).*
2 *The operating netback per Boe is calculated as total revenue, less operating costs and royalties net of ARC.*
3 *The recycle ratio is a key measure of the efficiency in which new reserves are added. It is calculated as the operating netback divided by the average cost of acquiring and developing new reserves (including revisions).*

Net Asset Value

Net asset value is an estimate of the underlying value of Freehold's reserves and undeveloped land, prior to provision for income taxes, interest expense, general and administrative costs and management fees, but taking into consideration estimated royalties, operating costs, other income, capital costs and abandonment costs. Future net revenue estimates are greatly influenced by price forecasts and future reservoir performance.

Based on the independent evaluation of the Trust's established reserves, the Trust's net asset value at December 31, 2001 was $6.64 per Trust Unit (discounted at 12%), down 15% from $7.80 a year ago. The decrease is related to the issuance of additional Trust Units, reduced working capital and lower reserve values resulting from a lower price forecast at year-end 2001. This decrease was partially offset by increased undeveloped land values and reduced bank debt.

Net Asset Value as at December 31, 2001 ($000s, Except Unit Data)	Discounted at		
	10%	12%	15%
Present value of established oil and natural gas reserves	243,809	218,417	189,614
Present value of potash reserves[1]	5,709	4,943	4,131
Undeveloped land[2]	4,554	4,554	4,554
Reclamation fund	884	884	884
Working capital	4,316	4,316	4,316
Bank debt	(33,000)	(33,000)	(33,000)
Net asset value	226,272	200,114	170,499
Trust Units outstanding	30,129,236	30,129,236	30,129,236
Net asset value per Trust Unit	7.51	6.64	5.66

1 *Evaluated by Rife Resources Ltd.*

2 *Evaluated by Seaton-Jordan & Associates Ltd.*

COMBINED FINANCIAL STATEMENTS

Management's Responsibility for Financial Statements

The accompanying combined financial statements of Freehold Royalty Trust have been prepared by management in accordance with Canadian generally accepted accounting principles.

Management is responsible for the preparation of the combined financial statements for Freehold Royalty Trust and for the consistency therewith of all other financial and operating data presented in the annual report.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely information.

External auditors, KPMG LLP, have examined the combined financial statements of Freehold Royalty Trust. The Audit Committee, consisting of independent directors of Freehold Resources Ltd., has reviewed these statements with Management and the auditors, and has recommended their approval to the Board of Directors. The Board has approved the combined financial statements contained in this annual report.

David J. Sandmeyer
President & Chief Executive Officer
February 21, 2002

Joseph N. Holowisky
Vice-President, Finance & Administration
& Chief Financial Officer and Secretary

Auditors' Report

To the Unitholders of Freehold Royalty Trust

We have audited the combined balance sheets of Freehold Royalty Trust as at December 31, 2001 and 2000 and the combined statements of income, Unitholders' equity and cash flows for the years ended December 31, 2001 and 2000. These combined financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years ended December 31, 2001 and 2000 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

KPMG LLP
Chartered Accountants
Calgary, Canada
February 21, 2002

Combined Balance Sheets

($000s)	December 31 2001	2000
Assets		
Current assets:		
Cash	**$ 260**	$ 280
Accounts receivable	**9,074**	12,261
	9,334	12,541
Reclamation fund (note 6)	**884**	745
Petroleum and natural gas interests, net of accumulated depletion and depreciation of $111,316 (2000 – $89,914)	**225,367**	214,070
	$ 235,585	$ 227,356
Liabilities and Unitholders' Equity		
Current liabilities:		
Distributions payable to Unitholders	**$ 3,013**	$ 2,673
Accounts payable and accrued liabilities	**2,005**	2,780
	5,018	5,453
Provision for future site restoration (note 6)	**1,125**	874
Long-term debt (note 2)	**33,000**	38,000
Unitholders' equity (note 3)	**196,442**	183,029
	$ 235,585	$ 227,356

See accompanying notes to combined financial statements.

Approved on behalf of Freehold Royalty Trust by Freehold Resources Ltd., as Administrator:

W Siebens

William W. Siebens
Director

D. Nolan Blades
Director

Combined Statements of Income

($000s, Except Per Unit Data)	Years Ended December 31 2001	2000
Revenue:		
Royalty income and working interest sales	**$ 61,885**	64,500
Royalty expense (net of ARC)	**(3,482)**	(3,306)
	58,403	61,194
Other expenses:		
Operating	**4,415**	4,080
General and administrative	**2,244**	2,097
Interest on long-term debt	**1,797**	2,672
Other interest	**17**	28
Capital taxes and other expenses	**101**	374
	8,574	9,251
Funds generated from operations	**49,829**	51,943
Depletion and depreciation	**21,402**	19,257
Provision for future site restoration	**352**	369
Management fee (note 5)	**776**	625
Net income	**$ 27,299**	$ 31,692
Net income per Trust Unit, basic and diluted	**$ 0.95**	$ 1.19

See accompanying notes to combined financial statements.

Combined Statements of Unitholders' Equity

($000s)	Years Ended December 31 2001	2000
Unitholders' equity, beginning of year	**$ 183,029**	$ 185,938
Net income	**27,299**	31,692
Distributions to Unitholders	**(45,264)**	(35,226)
Issue of new Trust Units	**31,378**	625
Unitholders' equity, end of year	**$ 196,442**	$ 183,029

See accompanying notes to combined financial statements.

Combined Statements of Cash Flows

($000s)	Years Ended December 31 2001	2000
Cash provided by (used in):		
Operating:		
Net income	**$ 27,299**	$ 31,692
Items not involving cash:		
Depletion and depreciation	**21,402**	19,257
Provision for future site restoration	**352**	369
Trust Units issued in lieu of management fee	**776**	625
Funds generated from operations	**49,829**	51,943
Changes in non-cash working capital (note 9)	**2,412**	(2,948)
	52,241	48,995
Financing:		
Issue of new Trust Units	**31,845**	-
Issue cost of new Trust Units	**(1,343)**	-
Trust Units issued upon exercise of options	**100**	-
Bank indebtedness	**-**	(2,350)
Long-term debt	**(5,000)**	(1,288)
Distributions paid	**(44,924)**	(34,418)
	(19,322)	(38,056)
Investing:		
Property and royalty acquisitions (note 5)	**(29,707)**	(5,326)
Development expenditures	**(2,992)**	(5,161)
Site reclamation fund contributions	**(240)**	(240)
	(32,939)	(10,727)
Increase (decrease) in cash	**(20)**	212
Cash, beginning of year	**280**	68
Cash, end of year	**$ 260**	$ 280

Cash interest paid during 2001 was $1,686 (2000 – $2,687).
See accompanying notes to combined financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

Years ended December 31, 2001 and 2000.

Basis of Presentation

Freehold Royalty Trust ("the Trust") is an open-end investment trust formed under the laws of the Province of Alberta pursuant to a trust indenture dated September 30, 1996 and amended on November 25, 1996, May 4, 1999, and May 3, 2000. The Trust holds royalty interests directly and a 99% royalty interest in the funds generated by Freehold Resources Ltd. ("Resources").

Resources was incorporated on June 3, 1996 and derives its income from certain oil and gas working interest properties.

These combined financial statements include the accounts of the Trust and Resources. All inter-entity transactions have been eliminated.

1. Significant Accounting Policies

(a) Property, plant and equipment:
The Trust follows the full cost method of accounting.

All costs of acquiring, exploring for and developing oil and gas and related reserves are capitalized. Such costs include land acquisition, geological and geophysical, carrying charges of unproved properties, costs of drilling both productive and non-productive wells and directly related general and administrative costs. Costs are reduced by proceeds from the sale of oil and gas properties and by government grants. Gains and losses are not recognized upon disposition of oil and gas properties unless such a disposition would alter the rate of depletion by 20% or more.

(b) Ceiling test:
The Trust applies a ceiling test to the carrying value of oil and gas assets, net of the provision for site restoration, plus future development costs to ensure that such costs do not exceed future estimated net revenues from production of proven reserves at year-end prices and costs. Future net revenues are calculated after deducting future general and administrative costs, financing costs, site restoration costs and Resources' income taxes.

(c) Depletion:
Oil and gas properties and royalty interests, including the costs of production equipment and future capital costs associated with proven reserves, are depleted on the unit-of-production method based on estimated proven oil and gas reserves before royalties. Reserves are converted to equivalent units on the basis of relative energy content.

(d) Provision for future site restoration:
Estimated future site restoration costs are provided for using the unit-of-production method. Costs are estimated by the Trust based on current regulations, costs, technology and industry standards. Actual site restoration costs are charged to the accumulated provision account as incurred.

(e) Income and other taxes:
The Trust is a taxable trust under the *Income Tax Act* (Canada) and it distributes substantially all of its taxable income to its Unitholders. The tax deductions received by the Trust for the distributions to Unitholders represent an exemption from taxation equivalent to the Trust's earnings. In addition, the Trust is exempt from future income taxes because it is contractually committed to distribute all of its income to its Unitholders.

Resources follows the liability method of accounting for income taxes. Under this method, income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using enacted or substantially enacted income tax rates. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Resources can deduct royalty payments to the Trust in determining taxable income and is generally liable for income taxes on its 1% residual interest.

(f) Comparative figures:
Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

(g) Cash:
Cash includes cash on deposit and highly liquid investments with original maturities of three months or less.

(h) Measurement uncertainty:
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ as a result of using estimates.

(i) Stock-based compensation plans:
In accordance with the Trust's Unit Option Plan, Trust Units are granted to the independent directors of Resources and to the Manager, Rife Resources Management Ltd. The Trust does not recognize compensation expense on the issuance of Trust Unit options under this plan, as the exercise price of the Trust Unit options is equal to the market value of the Trust Units on the day they are granted.

In November 2001, the Accounting Standards Board ("AcSB") of the Canadian Institute of Chartered Accountants ("CICA") issued recommendations on stock-based compensation and other stock-based payments. The new standards will be effective January 1, 2002 and will require additional disclosure for options granted to employees, officers and directors and that a compensation cost be recorded for the fair value of options granted to non-employees. Management believes that there will be no significant impact on the financial statements upon adoption of this standard, however, grants of options to the Manager and any other non-employees subsequent to January 1, 2002 will result in a compensation cost charged to income.

(j) Net income per Trust Unit:
Basic Trust Units outstanding are the weighted average number of Trust Units outstanding for each period. Diluted Trust Units outstanding are calculated using the treasury stock method, which assumes that any proceeds received from in-the-money options would be used to buy back Trust Units at the average market price for the period.

2. Long-term Debt

The Trust has a $50.0 million committed production facility on which $33.0 million was drawn at December 31, 2001 (2000 – $38.0 million). The facility is secured by a General Security Agreement from the Trust and Resources providing a first priority security interest in both Resources' and the Trust's assets and specific assignment of royalties. A demand debenture is pledged from both Resources and the Trust in the amount of $100.0 million, conveying a first floating charge over all property.

The facility is structured as a one-year committed revolving credit facility, extendible annually. In the event that the lender does not consent to such extension, the revolving credit facility will revert to a three-year, non-revolving amortizing term loan with equal quarterly principal repayments. At December 31, 2001, the entire amount outstanding under the production facility is presented as long-term based on the Trust's ability to refinance this amount with the undrawn portion of the facility.

In addition, the Trust has available a $15.0 million demand operating facility and a U.S. $10 million swap facility, of which, nil was drawn down as at December 31, 2001 and 2000. The facilities have security similar to that of the production facility with any amounts outstanding payable on demand.

Borrowings under the facility bear interest at the Bank's prime lending rate, bankers' acceptance or LIBOR rates plus applicable margins, ranging from 75 to 150 basis points.

3. Unitholders' Equity

The Trust has authorized an unlimited number of Trust Units of which 30,129,236 (2000 – 26,728,000) were issued at December 31, 2001. On May 17, 2001, the Trust issued 3.3 million new Trust Units at a price of $9.65 per Trust Unit for gross proceeds of $31.8 million ($30.5 million, net of issuance costs).

Trust Units Issued	2001		2000	
	Number	**Amount ($000s)**	Number	Amount ($000s)
Balance, beginning of year	**26,728,000**	**$ 253,383**	26,648,000	$ 252,758
Issued for cash	**3,300,000**	**31,845**	-	-
Less issue costs	**-**	**(1,343)**	-	-
Issued upon exercise of options	**15,000**	**100**	-	-
Issued in lieu of management fee	**86,236**	**776**	80,000	625
Balance, end of year	**30,129,236**	**$ 284,761**	26,728,000	$ 253,383

The Trust has reserved 1,980,000 Trust Units pursuant to a Trust Unit Option Plan. Options to purchase Trust Units may be issued to the independent directors of Resources or to Rife Resources Management Ltd. (the Manager of the Trust).

As at December 31, 2001, options to purchase 1,145,000 (2000 – 1,160,000) Trust Units were outstanding with 15,000 (2000 – 1,160,000) vested. During 2001, 1,130,000 of the $10.00 options outstanding at December 31, 2000 expired and were replaced with an identical number of options priced at $9.24, vesting November 14, 2002 and expiring November 14, 2006. Also during 2001, 15,000 of the $6.65 options were exercised with 15,000 remaining and expiring August 12, 2003.

The Trust reserved 420,000 Trust Units pursuant to its management agreement with Rife Resources Management Ltd., of which 414,236 have been issued to date (see note 5).

The weighted average number of Trust Units outstanding for 2001 was 28,839,216 (2000 – 26,678,328).

4. Distributions

Distributable income is paid on a monthly basis, with payments to be made on the 15th day following the month-end.

5. Related Party Transactions

Rife Resources Management Ltd. (the "Manager") provides certain services for a fee based on a specified number of Trust Units per quarter, pursuant to a management agreement which has a term of three years and will be renewed on November 26, 2004 unless terminated. During 2001, the management fee charged was 86,236 Trust Units with an ascribed value of $776,000 (2000 – 80,000 Trust Units with an ascribed value of $625,000).

During the year, the Manager charged the Trust $1,759,000 (2000 – $1,596,000) in general and administrative costs. At December 31, 2001, there was $287,000 (2000 – $117,000) included in accounts payable relating to these costs.

The Manager also earns a fee of 1.5% of the purchase price of oil and gas properties acquired by Freehold. During 2001, the Manager acquired $32,168,000 ($29,707,000 net) of properties on behalf of the Trust and was paid $483,000 (2000 – $76,000) relating to these acquisitions. This fee is charged to capital assets as part of the properties acquired.

6. Future Site Restoration and Reclamation Cost

The Trust and Resources are liable for their share of ongoing environmental obligations and for the ultimate reclamation of the working interest properties upon abandonment. Ongoing environmental obligations are expected to be funded out of cash flow. The total estimated future environmental and reclamation obligations in respect of the working interest properties are approximately $4,926,000 (2000 – $5,140,000). A reclamation fund, consisting of cash invested in an interest-bearing account, has been established and is funded by quarterly cash payments. During the period, $101,000 (2000 – $61,000) in site restoration was incurred and paid from the reclamation fund.

7. Distributable Income

Distributable Income ($000s, Except Per Unit Data)	2001	2000
Funds generated from operations	$ 49,829	$ 51,943
Deduct:		
Site reclamation fund contributions	(240)	(240)
Provision for capital expenditures[1]	(2,992)	(5,161)
Income available for distribution	$ 46,597	$ 46,542
Per Trust Unit	$ 1.62	$ 1.74
Debt repayment	(4,594)	(8,964)
Working capital change	3,261	(2,352)
Distributable income	$ 45,264	$ 35,226
Per Trust Unit	$ 1.56	$ 1.32

1 *The amount of capital expenditures to be deducted from Distributable Income is limited to 15% of annual net cash flow from operations. Additional capital expenditures are financed with borrowings, additional issuances of Trust Units or proceeds from the disposition of assets.*

8. Income Taxes

Resources uses the liability method of accounting for income taxes, as described in note 1. The provision for income taxes in the financial statements differs from the result which would have been obtained by applying the combined federal and provincial tax rate to the Trust's earnings before income taxes. This difference results from the following items:

($000s)	2001	2000
Earnings before income taxes and capital taxes	**$ 27,400**	$ 31,878
Combined federal and provincial tax rate	**42.6%**	44.6%
Computed "expected" income tax expense	**$ 11,672**	$ 14,224
Increase (decrease) in income tax resulting from:		
Non-taxable earnings of the Trust	**(11,285)**	(12,115)
Non-deductible Crown charges	**13**	12
Resource allowance	**(359)**	(804)
Changes in enacted tax rates	**27**	-
Other	**(4)**	(2)
Future income tax expense	**64**	1,315
Change in valuation allowance	**(64)**	(1,315)
Income taxes	**-**	-
Capital taxes[1]	**$ 101**	$ 186

[1] *In 2001, the Trust and Resources made cash payments of $154,000 in capital taxes (2000 – $119,000).*

The components of Resources' future income taxes at December 31 are as follows:

($000s)	2001	2000
Future income tax liabilities:		
Oil and natural gas properties	**$ (355)**	$ (363)
Future income tax assets:		
Abandonment costs	**359**	292
Loss carryforwards	**189**	328
Valuation allowance	**(193)**	(257)
Future income taxes	**$ -**	$ -

9. Supplemental Cash Flow Disclosure

Changes in Non-Cash Working Capital Balance ($000s)	2001	2000
Accounts receivable	**$ 3,187**	$ (3,423)
Accounts payable and accrued liabilities	**(775)**	475
	$ 2,412	$ (2,948)

Five-year Review

	2001	2000	1999	1998	1997
Financial ($000s, Except Unit Data)					
Gross revenue	**61,885**	64,500	36,355	24,839	39,953
Operating expenses	**4,415**	4,080	3,555	3,655	3,617
General and administrative expenses	**2,244**	2,097	1,882	2,248	2,277
Interest expense	**1,814**	2,700	2,410	2,478	1,549
Depletion and depreciation	**21,402**	19,257	17,926	23,670	26,663
Capital expenditures	**2,992**	5,161	940	1,790	2,613
Property acquisitions	**29,707**	5,326	-	-	27,407
Distributable income	**45,264**	35,226	20,757	17,186	29,081
Per Trust Unit ($)	**1.56**	1.32	0.78	0.65	1.10
Long-term debt	**33,000**	38,000	39,288	39,288	38,175
Unitholders' equity	**196,442**	183,029	185,938	197,474	223,301
Operating					
Production					
Oil and NGLs (Bbls/d)	**4,227**	3,680	3,223	3,547	3,913
Natural gas (Mmcf/d)	**11.2**	11.0	11.2	11.9	15.5
Oil equivalent (Boe/d)	**6,086**	5,523	5,082	5,531	6,493
Potash (Tonnes/d)	**7.9**	10.9	14.2	15.3	12.5
Average sales price					
Oil and NGLs ($/Bbl)	**24.88**	32.97	21.37	13.00	19.21
Natural gas ($/Mcf)	**5.64**	4.71	2.48	1.91	1.79
Oil equivalent ($/Boe)	**27.63**	31.39	18.99	12.45	15.84
Potash ($/Tonne)	**153.98**	146.72	157.56	147.72	114.29
Undeveloped land (gross acres)	**237,443**	140,896	136,036	132,609	77,906
Established reserves (Mboe)	**28,177**	28,150	29,062	29,952	30,810
Reserve life index (years)	**12.7**	14.0	15.7	14.8	11.3
Trust Unit					
High ($)	**10.10**	9.50	6.90	9.80	11.85
Low ($)	**8.00**	5.60	4.13	4.15	8.40
Close ($)	**9.20**	8.70	5.95	4.43	9.10
Volume (000s)	**8,162**	6,752	5,782	9,686	11,392
Trust Units outstanding end of year	**30,129,236**	26,728,000	26,648,000	26,568,000	26,488,000
Weighted average	**28,839,216**	26,678,328	26,598,411	26,518,411	26,438,411

2001 Quarterly Review

	Q1	Q2	Q3	Q4
Financial ($000s, Except Unit Data)				
Gross revenue	19,001	16,018	16,086	10,780
Operating expenses	1,089	975	1,184	1,167
General and administrative expenses	614	534	508	588
Distributable income	10,693	13,199	12,337	9,034
Per Trust Unit ($)	0.40	0.45	0.41	0.30
Long-term debt	38,000	31,000	31,000	33,000
Unitholders' equity	182,868	207,879	202,839	196,442
Operating				
Production				
Oil and NGLs (Bbls/d)	3,827	4,149	4,541	4,381
Natural gas (Mmcf/d)	11.3	11.4	10.9	11.0
Oil equivalent (Boe/d)	5,709	6,050	6,359	6,219
Potash (Tonnes/d)	8.7	11.3	6.3	5.3
Average sales price				
Oil and NGLs ($/Bbl)	24.88	25.16	30.74	18.55
Natural gas ($/Mcf)	10.12	6.15	3.09	3.17
Oil equivalent ($/Boe)	36.70	28.84	27.26	18.69
Potash ($/Tonne)	158.34	159.08	139.61	153.19
Trust Unit				
High ($)	10.00	10.10	9.64	9.58
Low ($)	8.35	8.50	8.00	8.11
Close ($)	8.90	9.00	8.90	9.20
Volume (000s)	1,430	2,801	2,098	1,834
Trust Units outstanding end of period	26,748,000	30,084,236	30,106,736	30,129,236
Weighted average	26,728,222	28,386,365	30,084,481	30,106,981

2001 Tax Information

Freehold Royalty Trust's cash distributions became taxable in the 2001 taxation year. Distributions paid in 2001 were 38% taxable (other income) and 62% tax deferred (return of capital).

Record Date	Payment Date	Taxable Amount	Return of Capital Amount	Total Distribution Paid
December 31, 2000	January 15, 2001	$ 0.0380	$ 0.0620	$ 0.10
January 31, 2001	February 15, 2001	0.0380	0.0620	0.10
February 28, 2001	March 15, 2001	0.0760	0.1240	0.20
March 31, 2001	April 15, 2001	0.0380	0.0620	0.10
April 30, 2001	May 15, 2001	0.0380	0.0620	0.10
May 31, 2001	June 15, 2001	0.0874	0.1426	0.23
June 30, 2001	July 15, 2001	0.0456	0.0744	0.12
July 31, 2001	August 15, 2001	0.0456	0.0744	0.12
August 31, 2001	September 15, 2001	0.0646	0.1054	0.17
September 30, 2001	October 15, 2001	0.0456	0.0744	0.12
October 31, 2001	November 15, 2001	0.0380	0.0620	0.10
November 30, 2001	December 15, 2001	0.0380	0.0620	0.10
Total paid during the 2001 Taxation Year		**$ 0.5928**	**$ 0.9672**	**$ 1.56**

Historical Income Tax Information

Payment Period[1]	Taxable Amount Per Unit[2]	Tax Deferred Amount Per Unit[3]	Taxable Percentage	Tax Deferred Percentage	Total Cash Distribution for Tax Purposes Per Unit
2001	$ 0.5928	$ 0.9672	38%	62%	$ 1.56
2000	0.0000	1.2900	0%	100%	1.29
1999	0.0000	0.7600	0%	100%	0.76
1998	0.0000	0.8500	0%	100%	0.85
1997	0.0000	0.9800	0%	100%	0.98

1 *For income tax purposes, only cash payments received in each calendar year are subject to Canadian income tax. This results in the December distribution, which is paid to Unitholders on January 15, being taxed in the following year.*

2 *As at December 31, 2001, the Trust has the benefit of $202 million of income tax pools to reduce the taxable portion of future distributions.*

3 *The tax deferred amount reduces the adjusted cost base of a Unitholder's investment in the Trust.*

A more detailed list of historical distributions (showing record dates, payment dates and tax treatment) can be obtained from Freehold's Web site, www.freeholdtrust.com, or by contacting Freehold directly.

Glossary

Acquisitions – The purchase of oil and/or natural gas properties for the purpose of generating revenues from their production.

Capital Expenditures – Investment of financial resources to develop proven reserves.

Development Well – A lower risk well drilled to produce proven reserves.

Differential – The difference between posted prices for light oil versus a heavier grade of oil.

Distributable Income – The income after deduction of all cash expenses that is distributed among Unitholders. This amount is sensitive to oil and natural gas prices and production volumes.

Established Reserves – The sum of Proven Reserves plus 50 % of Probable Reserves.

Exploratory Well – A higher risk well drilled in an area where oil and natural gas reserves have not been previously discovered or proven.

Freehold Title – Land in which a private owner holds the mineral rights.

Heavy Oil – Dense, viscous oil containing a high proportion of bitumen usually with a gravity of 21 degrees API or less.

Horizontal Drilling – Drilling a well that deviates from the vertical and travels horizontally through the production zone.

Investor Netback – Operating netback adjusted for all other cash expenditures and receipts which results in the final net amount distributed to Unitholders.

Lease – An agreement where the owner of the mineral rights grants another party the right to drill for and produce oil and natural gas in exchange for payment of a royalty.

Lessee – A party that has acquired a lease from the owner of the mineral rights to drill for and produce oil and natural gas. The lessee is normally responsible for all related expenses including the payment of the lessor's royalty.

Lessor – The title owner of mineral rights, which could include the Crown, an individual or an entity.

Light Oil – Low density oil which has a gravity of 30 degrees API or higher.

Mineral Title – Ownership of rights to specified minerals.

Natural Gas Liquids (NGLs) – Liquids obtained from natural gas production and processing, including ethane, propane, butane and condensate.

Net Asset Value – The value of the Trust's assets including oil, natural gas, and potash reserves, undeveloped land and financial assets less its liabilities.

Net Production – The remaining share of oil or natural gas production after payment of royalties.

Operating Costs – Expenses incurred to recover oil or natural gas from a well exclusive of capital expenditures.

Operating Netback – The amount realized from the sale of a barrel of oil equivalent after deduction of operating costs and royalties.

Operator – The company or individual responsible for managing and conducting an exploration, development or production operation.

Potash – A mineral primarily comprised of potassium chloride used in the manufacturing of fertilizer.

Probable Reserves – Oil and natural gas reserves believed to exist with reasonable certainty on the basis of technical information.

Production – The volume measure of oil and natural gas produced from a well.

Production Unit – An arrangement under which a field or pool of oil or natural gas is to be operated as a common unit without regard to the boundaries imposed by lease ownership. This is done to maximize the economic benefits to all lease owners.

Proven Reserves – Oil and natural gas in known reserves that can be recovered with a great degree of certainty under existing technological and economic conditions.

Reserve Life Index (RLI) – A measure of the estimated life of Established Reserves by dividing year-end reserves by the production during that year.

Royalty – The lessor's share of production revenues.

Royalty Lands – Lands which generate royalty income to their mineral rights holder, free and clear of any costs of production.

Shut-in Reserves – Proven oil and natural gas reserves which are not on production for reasons such as uneconomic conditions, remoteness of location or pending the completion of facilities.

Trust Unit – Units of the Trust, each unit representing an equal undivided beneficial interest therein.

Unitholder – Holders of Trust Units of the Trust.

Working Interest – The percentage ownership of a party in a lease which carries with it the rights and obligations to develop and operate an oil and natural gas property.

Abbreviations

API	American Petroleum Institute
ARC	Alberta Royalty Credit
Bbl	barrel
Bbls/d	barrels per day
Bcf	billion cubic feet
Boe	barrels of oil equivalent (6 Mcf = 1 Bbl)
Boe/d	barrels of oil equivalent per day
Mbbls	thousand barrels
Mboe	thousands of barrels of oil equivalent
Mcf	thousand cubic feet
Mmcf	million cubic feet
NGLs	natural gas liquids
NYMEX	New York Mercantile Exchange
WTI	West Texas Intermediate

Unitholder Information

Share Capital

The Trust's authorized share capital consists of an unlimited number of Trust Units. As at December 31, 2001 the Trust had 30,129,236 Trust Units outstanding.

Distribution Policy and Dates

The Trust makes monthly distributions, the amounts of which are determined by the Board of Directors, and are subject to change depending upon the business environment. Record dates are the end of each month, payment dates are the 15th day following the record date.

Distribution Tax Information

Distributions paid from inception to year-end 2000 were 100% tax-deferred (return of capital). Distributions paid in 2001 were 38% taxable (other income) and 62% tax deferred (return of capital).

Unitholder Plans

The Trust has a number of Unitholder plans in place. Please visit our Web site or contact the Transfer Agent, Computershare Trust Company of Canada, for additional information and to obtain the necessary forms to participate.

1) Distribution Direct Deposit Plan

A Direct Deposit Plan is in place to provide Unitholders who have Canadian bank accounts with a method of receiving cash distributions as a direct deposit into their bank account.

2) Distribution Reinvestment Plan (DRIP)

A DRIP is in place to provide Unitholders who are residents of Canada with a method of reinvesting cash distributions into new Trust Units.

3) U.S. Currency Payment Plan

Unitholders may elect to receive their distribution payments in U.S. funds.

Investor Relations Contact

Karen Taylor
Manager, Investor Relations

Freehold Royalty Trust
400, 144 – 4th Avenue S.W.
Calgary, Alberta T2P 3N4

Direct:	(403) 221-0891
Toll Free:	1-888-257-1873 (Canada/U.S.)
Fax:	(403) 221-0888
email:	ir@freeholdtrust.com
Web site:	www.freeholdtrust.com

Transfer Agent

Registered Unitholders' change of address, duplicate mailings, lost Trust Unit certificates or distribution cheques, or general inquiries regarding the direct deposit, distribution reinvestment, or U.S. currency payment plans should be directed to:

Computershare Trust Company of Canada
600, 530 – 8th Avenue S.W.
Calgary, Alberta T2P 3S8

Telephone:	(403) 267-6555
Fax:	(403) 267-6592
Toll Free:	1-888-267-6555
email:	laura.leong@computershare.com
Web site:	www.computershare.com

Corporate Information

Board of Directors

William W. Siebens 2

Chairman – brings special expertise to Freehold with his knowledge of the Trust's Hudson's Bay Royalty Lands as these lands were previously owned by Siebens Oil & Gas Ltd. He is President and C.E.O. of Candor Investments Ltd. (Calgary), a private energy and investment corporation, and currently serves on the boards of several corporations.

D. Nolan Blades 1, 2

– is President of Sunny Gables Holdings Ltd. (Calgary) and a professional engineer with extensive experience in the oil and gas industry. Mr. Blades has held senior positions with Kaiser Oil Ltd., Oakwood Petroleums Ltd., and Chauvco Resources Ltd., and most recently was President and C.E.O. of Pursuit Resources Corp.

Harry S. Campbell, Q.C.

– is Managing Partner of the law firm Burnet, Duckworth & Palmer LLP (Calgary). He was admitted to the Alberta Bar in 1974. Mr. Campbell is currently a Director of DT Energy Ltd., TVX Gold Inc., and The Cathay Investment Fund Limited and has been a director of numerous private and public corporations.

Tullio Cedraschi

– is President and C.E.O. of the CN Investment Division (Montreal). He is currently a Director of The Toronto Stock Exchange, a director of several corporations, and is a Governor and a Past President of the National Theatre School of Canada. He is also a Governor of McGill University where he received his MBA.

Dr. P. Michael Maher 1, 2

– is a Professor and former Dean of the Faculty of Management with the University of Calgary. He has served on the boards of numerous corporations and public sector organizations. Dr. Maher received a Bachelor of Engineering degree, University of Saskatchewan; an MBA, University of Western Ontario; a Ph.D. from Northwestern University; a Doctor of Commerce (honoris causa) degree from St. Mary's; and is a Professional Engineer.

Peter T. Harrison 1

– is Senior Vice-President of Montrusco Bolton Inc. (Montreal). Mr. Harrison has over 20 years of investment experience, and most recently managed Canadian Equities for the CN Investment Division. He holds a Bachelor of Commerce degree from McGill University, an MBA from the University of Western Ontario, and is a Chartered Financial Analyst.

David J. Sandmeyer

President and C.E.O. – is President of Rife Resources Ltd. (Calgary). He joined the Company in 1982. Prior to that he was employed with Amoco Canada Petroleum Company Limited for 18 years. Mr. Sandmeyer is a Governor of the Canadian Association of Petroleum Producers (CAPP). A graduate of the University of Saskatchewan, he holds a B.Sc. degree in Mechanical Engineering and is a Professional Engineer.

1 Audit Committee
2 Corporate Governance & Nominating Committee

The Annual and Special Meeting of Freehold Resources Ltd. and Freehold Royalty Trust will be held on Wednesday, May 1, 2002 at 3:30 p.m. in the Lecture Theatre, Sunlife Plaza Conference Centre, Plus 15 (2nd level), 140 – 4th Avenue S.W., Calgary, Alberta.

All photographs were taken in Southern Alberta by Rife Resources Ltd. employee Hank Riggelson.
Designed and produced by Parallel.

Officers

William W. Siebens
Chairman

David J. Sandmeyer
President & C.E.O.

J. Frank George
Vice-President, Exploitation

Joseph N. Holowisky
Vice-President, Finance & Administration, C.F.O. and Secretary

William O. Ingram
Vice-President, Production

Michael J. Okrusko
Vice-President, Land

Head Office

Freehold Resources Ltd.
Freehold Royalty Trust
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Calgary, Alberta T2P 3N4

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Toll Free:	1-888-257-1873
Fax:	(403) 221-0888
Web site:	www.freeholdtrust.com

Stock Exchange Listing

The Toronto Stock Exchange
Symbol: FRU.UN

Trustee

Montreal Trust Company of Canada
Calgary, Alberta

Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta
Toronto, Ontario

Legal Counsel

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

Auditors

KPMG LLP
Calgary, Alberta

Banker

Canadian Imperial Bank of Commerce
Calgary, Alberta

Evaluation Engineers

Grant Trimble Engineering Ltd.
Calgary, Alberta

Corporate Governance

Information concerning the Trust's Corporate Governance is contained in the Information Circular.

Annual Information Form

Copies of the AIF are available by contacting the Trust.

THE ROYALTY ADVANTAGE

Freehold Royalty Trust has extensive royalty lands that generate income from oil and gas production. On the majority of these lands, the Trust holds the mineral title in perpetuity. The royalty lands are not subject to capital expenditures or other major costs, resulting in greater returns to Unitholders.

Freehold
ROYALTY TRUST

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